

Honorable Samuel J. Steiner
Chapter 11
Ex Parte

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re
MILA, INC.,
Debtor.

Case No. 07-13059-SJS
EX PARTE APPLICATION OF
CHAPTER 11 TRUSTEE FOR
APPROVAL OF EMPLOYMENT OF
FINANCIAL ADVISOR
(TURNAROUND, INC.), WITH
DECLARATION

I. APPLICATION

Geoffrey Groshong, the chapter 11 trustee herein, applies for approval of his employment of Turnaround, Inc., as his financial advisor in this case. Groshong bases this application on 11 U.S.C. § 327, Federal Rule of Bankruptcy Procedure 2014, LBR 2014-1, and the subjoined declaration of Miles R. Stover.

II. BACKGROUND

Debtor, MILA, Inc., was a subprime mortgage company. As of December 31, 2006, MILA operated in 26 states and did business with more than 5,000 approved broker offices and over 12,000 independent loan agents and employed approximately 100 account executives. In 2006, MILA originated approximately \$2.8 billion in mortgage loans. MILA used credit facilities totaling \$1.45 billion. Warehouse lenders holding mortgage loans totaling over

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WITH DECLARATION - 1
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1 \$80 million are in the process of selling them for application to their claims. Emergency Motion
2 for Order Directing Appointment of Chapter 11 Trustee [Dkt. #7].

3 On July 2, 2007, MILA filed its voluntary chapter 11 petition initiating this case.
4 MILA's schedules show assets of approximately \$7.8 million and liabilities of approximately
5 \$174.7 million. Petition [Dkt. #1]. Its Statement of Financial Affairs shows payments during the
6 90-day period exceeding \$13 million. *Id.*

7 On July 27, 2007, the Court entered its *Ex Parte* Order Approving Appointment
8 of Chapter 11 Trustee [Dkt. #33], granting the United States' trustee's July 26, 2007, *Ex Parte*
9 Application for Order Approving Appointment of Chapter 11 Trustee [Dkt. #31], in which she
10 sought approval of Groshong's appointment as chapter 11 trustee.

11 III. NEED FOR TURNAROUND'S SERVICES.

12 MILA's equipment, furniture, and physical and electronic records are at a four-
13 story office building at 6021 - 244th St. SW, Mountlake Terrace, Washington (the "MILA
14 Building"). Until MILA filed its petition, it was the sole occupant of the four floors of the MILA
15 Building, which are now full of MILA's physical assets and records. MILA linked computer
16 servers at the MILA Building to servers at MILA's offices in the Fisher Building in Seattle. The
17 contractual rent for the MILA Building and the surrounding parking area is approximately
18 \$137,000 per month. The Court approved the United States Trustee's appointment of Groshong
19 as chapter 11 trustee on July 27, 2007, but administrative rent has been accruing since July 2,
20 2007, and is a significant problem in this case. Groshong must stop the accrual of additional
21 administrative rent at the MILA Building as soon as possible, but he must do so without
22 compromising the integrity of MILA's hard copy and electronic records, and he must also
23 dispose of furniture and equipment appropriately to maximize value for creditors. The need to
24 stop the rent accrual, on one hand, and to organize and preserve records and data, including
25 transferring a significant amount of electronic data from MILA's servers, and to maximize the
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1 value of MILA's physical assets, on the other hand, necessitates Groshong's immediate use of
2 the services of a turnaround professional to perform the tasks listed in part IV below.

3 IV. SCOPE OF TURNAROUND'S SERVICES

4 Groshong desires to employ Turnaround to (1) assist him in assembling,
5 analyzing, and compiling financial information from MILA's records and in preserving MILA's
6 records and (2) advise him regarding placement, retention, and termination of insurance policies;
7 provided that Turnaround will not perform task duties duplicative of those Groshong performs as
8 trustee pursuant to 11 U.S.C. § 1106.

9 V. TURNAROUND'S QUALIFICATIONS

10 Turnaround and its principal, Stover, have extensive expertise in providing a
11 broad range of services to debtors and other parties in troubled-company situations, including
12 chapter 11 bankruptcy cases. Of particular value in this case, Stover has experience working
13 with other mortgage loan companies and a mortgage loan servicer. Among Stover's larger
14 representations have been his engagements as (1) responsible individual and chief executive
15 officer of Entranco, Inc., in this district; (2) chief operating officer and chief financial officer of
16 Matthews Studios Group, Inc., as debtor in-possession in its chapter 11 case in the Central
17 District of California; and (3) chief executive officer, chief financial officer, responsible
18 individual, and estate representative of Condor Systems, Inc., in its chapter 11 case, also in the
19 Central District of California.

20 VI. TURNAROUND'S CONNECTIONS TO THIS CASE

21 Turnaround is not a creditor of MILA.

22 Turnaround is disinterested. To the best of Stover's knowledge, Turnaround does
23 not represent any other entity having an adverse interest in connection with this case or have any
24 connection with the debtors, creditors, any other party in interest, their respective attorneys and
25 accountants, the United States Trustee, or any person employed in the office of the United States
26 Trustee, except as follows:

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- On matters unrelated to MILA or this case, Turnaround has served as financial advisor to clients of the following attorneys: Miller Nash LLP, the law firm in which Groshong is a partner and that Groshong proposes to employ as his general counsel in this case; Bush Strout & Kornfeld, MILA's attorneys in this case; and Graham & Dunn PC, attorneys for Bank of America Leasing & Capital LLC in this case.
- On matters unrelated to MILA or this case, Miller Nash represents Stover, his wife, Turnaround, and several affiliates of Turnaround owned solely by Stover and his wife.
- Stover is a personal friend of Groshong, and Stover has engaged in business with Groshong's son.

VII. TERMS OF EMPLOYMENT

Turnaround has no special arrangement for compensation and expects the estate to compensate the firm. Neither MILA nor Groshong has paid or promised any retainer to Turnaround. The hourly rate for Stover will be \$225, which is below his normal hourly rate, and the hourly rate for Turnaround's administrative staff will be \$75. Stover's normal hourly rate for the required services is between \$250 and \$425, and the normal hourly rate for Turnaround's administrative staff is \$75. The firm's rates change from time to time.

In view of the urgent tasks at hand, Groshong requested Turnaround's assistance on August 2, 2007, subject to Court approval, and Turnaround began performing services that day. Groshong has submitted this application promptly after learning of his need to employ Turnaround. Accordingly, in the order approving Groshong's employment of Turnaround, the Court should make the order effective as of the August 2, 2007.

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1 Turnaround's contact information for this case will be as follows:

2 Turnaround, Inc.
3 Attn: Miles R. Stover
3415 A Street NW
4 Gig Harbor, Washington 98335
Telephone: ((253) 857-6730
5 Fax: (253) 857-6344
mstover@turnaround-inc.com

6 On August 8, 2007, at 8:07 a.m., Martin L. Smith, attorney for the United States
7 Trustee, authorized Groshong by e-mail to represent to the Court that the United States Trustee
8 does not oppose *ex parte* consideration of this application.

9 Groshong has attached hereto as Exhibit 1 a copy of a proposed order granting
10 this application.

11 DATED this 8th day of August, 2007, in Seattle, Washington.

12 MILLER NASH LLP

13
14 s/ Geoffrey Groshong
15 Geoffrey Groshong
WSBA No. 6124
4400 Two Union Square
16 601 Union Street
Seattle, Washington 98101-2352
17 Telephone: (206) 622-8484
Fax: (206) 622-7485
18 E-mail: geoffrey.groshong@millernash.com

19 Attorneys for Geoffrey Groshong,
20 Chapter 11 Trustee

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LBR 2014-1(a) DECLARATION

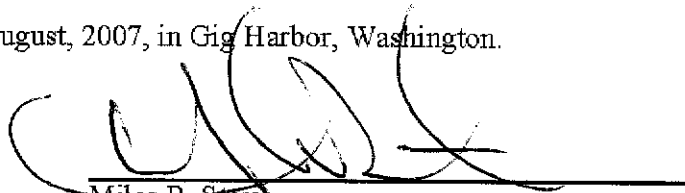
I, Miles R. Stover, declare and certify as follows:

1. I have personal knowledge of the statements in parts V, VI, and VII above, which are true and correct to the best of my knowledge.

2. I have read LBR 2016-1.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

DATED this 11 day of August, 2007, in Gig Harbor, Washington.



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Fax: (253) 857-6344
mstover@turnaround-inc.com

EXHIBIT 1
PROPOSED ORDER

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Chapter 11
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In re
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ORDER GRANTING *EX PARTE*
APPLICATION OF CHAPTER 11
TRUSTEE FOR APPROVAL OF
EMPLOYMENT OF FINANCIAL
ADVISOR (TURNAROUND, INC.),
WITH DECLARATION

The Court approves the *Ex Parte* Application of Chapter 11 Trustee for Approval
of Employment of Financial Advisor (Turnaround, Inc.), effective as of August 2, 2007.

DATED this _____ day of _____, 2007.

Samuel J. Steiner
United States Bankruptcy Judge

Presented by:

Geoffrey Groshong
WSBA No. 6124

Attorneys for Geoffrey Groshong,
Chapter 11 Trustee